



United States Senate
**Committee on Small Business
and Entrepreneurship**

Olympia J. Snowe, Chair

FOR IMMEDIATE RELEASE

Tuesday, June 14, 2005

<http://sbc.senate.gov>

Contact: Chris Chichester

(202) 224-5175

*Snowe: Energy Department to Accurately Report
Contracting*

WASHINGTON, D.C. - Senator Olympia J. Snowe (R-Maine), Chair of the Senate Committee on Small Business and Entrepreneurship, today announced that, in response to her request, the Department of Energy agreed to count subcontracts in accordance with the Small Business Act and Government Accountability Office recommendations detailing how the Department should improve its reporting and subcontracting.

"The Energy Department has reassured me that it will now follow common-sense recommendations to accurately report its small business subcontracting," said Sen. Snowe. "As a consequence, Congress and America's small business owners can be confident that the Department will comply with the Small Business Act."

"The combination of misleading reporting by large contractors and lax oversight by Energy Department officials was unacceptable," continued Sen. Snowe. "Recognizing that the Energy Department is the largest civilian contracting agency in the Federal government, I am delighted that the integrity of the subcontracting process will be restored."

"I look forward to working with Energy Department officials to ensure these reforms are implemented," stated Sen. Snowe.

Last month Senator Snowe released a Government Accountability Office report that found widespread overstatements by the Department of Energy's large prime contractors. The GAO recommended that the Energy Department improve its management by requiring large contractors to comply with the SBA reporting guidelines and also to require reporting of small business subcontracts as a percentage of the total dollars obligated on each large prime contract.

Senator Snowe's comments were made after she received a letter from the Energy Department's Deputy Secretary Clay Sell. It is attached.

The GAO subcontracting report is available on the GAO's website at:
<http://www.gao.gov/new.items/d05459.pdf>



The Deputy Secretary of Energy
Washington, DC 20585

June 13, 2005

The Honorable Olympia J. Snowe
Chairwoman
Senate Committee on Small Business and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Madam Chairwoman:

At a meeting I attended with staff members from the Senate Small Business Committee and Entrepreneurship on Thursday, May 26, 2005, the staff members requested that the Department of Energy (DOE) commit to several actions specifically dealing with its small business activities.

One request concerns a finding in the Government Accountability Office's (GAO's) Report entitled "Improved Oversight Could Better Ensure Opportunities for Small Business Subcontracting" (May 2005). GAO found that DOE's major facility management contractors calculated their subcontracting base using exclusions inconsistent with guidelines issued by the Small Business Administration (SBA). DOE agrees that it will take action to ensure contractor compliance with SBA's guidelines on exclusions used for reporting subcontracts on forms SF 294 and SF 295. In fact, DOE has already issued directions to its component elements, instructing all program and procurement staff and facility management contractors (FMCs) to adhere to the SBA guidelines. DOE further agrees that, for internal DOE management purposes only, it will review subcontract achievement by FMCs as a percentage of the total contract value. DOE will take the amount of total dollars subcontracted into account as it compares the relative subcontracting achievements of its FMCs.

With regard to our FY 2005 Strategic Plan for Small Business (Plan), DOE will provide a quarterly progress report to the Senate and House Small Business Committees beginning with the quarter ending June 30, 2005. Currently, DOE's Office of Small and Disadvantaged Business Utilization (OSDBU) reviews all acquisition requests over \$3 million to ascertain/recommend potential small business participation. We are also conducting "in reach" activities to departmental contracting officers and procurement specialists regarding small business program goals and requirements. With regard to the FMCs, we have conducted twelve "break out" studies and are developing appropriate implementation plans. We also have conducted five subcontract reviews of FMC contractors and are planning to conduct several more this year. Furthermore, and

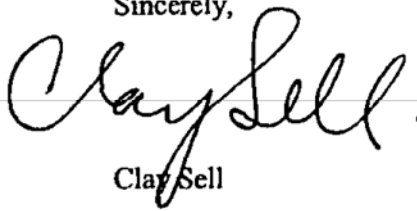


with regard to the Plan, DOE is committed to ensuring that the activities specifically targeted to Service Disabled Veteran Owned Businesses are carried out.

Finally, Committee staff asked that we review and adopt as a correct interpretation of the statute and of Congressional intent the "Joint Statement" of you and Congressman Donald R. Manzullo, Chairman of the House Committee on Small Business, with respect to section 6022 of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, (P.L. 109-13), which appears in the Congressional Record at S4843 (May 10, 2005) prior to final passage of that Act. DOE does not regularly, in this form of communication, make authoritative or binding interpretations of law or express views about particular statements in the Congressional Record. We do note that section 6022 of the Act replaced section 6023 of the Senate-passed version of the bill. DOE is now and will in the future work with others in the Administration to implement section 6022 in accordance with its terms and other applicable law. DOE does not intend to reduce its commitment to small business participation at the prime and subcontract level as a result of enactment of section 6022.

Should you have any questions or need further clarification, please do not hesitate to contact Alex McGee, Deputy Assistant Secretary for Energy Policy, Congressional & Intergovernmental Affairs, at (202) 586-3592.

Sincerely,

A handwritten signature in black ink that reads "Clay Sell". The signature is written in a cursive, flowing style. Below the signature, the name "Clay Sell" is printed in a simple, sans-serif font.

Clay Sell